

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 FEA-02 COME-00 INT-08 IO-14

DOT-00 FMC-04 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SCI-06 DRC-01 /149 W
----- 015904

R 181448Z JAN 74

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 7669

INFO USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 OSLO 0285

STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, NO

SUBJECT: ENERGY: REDUCTION IN SHIP SPEED

REF: STATE 5522

1. THE NORWEGIAN FOREIGN AND COMMERCE MINISTRIES HAVE SUPPLIED THE EMBASSY INFORMALLY AND UNOFFICIALLY WITH THE FOLLOWING TECHNICAL INFORMATION ON REDUCING CONSUMPTION OF BUNKERS BY SHIPS. THE INFORMATION WAS PREPARED BY DIRECTOR JOHAN SELAND OF THE NORWEGIAN SHIP-OWNERS ASSOCIATION. IF THE DEPARTMENT NEEDS FURTHER INFORMATION, THE EMBASSY WILL BE PLEASED TO ATTEMPT TO OBTAIN IT FROM SELAND.

2. BEGIN TEXT:
VARIOUS FACTORS REGARDING A POSSIBLE INTERNATIONAL AGREEMENT ON SPEED REDUCTION.

A. BUNKER ECONOMIZING AND SHIP SPEED
WITHIN REASONABLE LIMITS A SHIP'S BUNKER CONSUMPTION PER TIME UNIT IS ROUGHLY PROPORTIONAL WITH ITS SPEED TO THE THIRD POWER. A SPEED REDUCTION OF 10 PERCENT, IN OTHER WORDS, RESULTS IN
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THE BUNKER CONSUMPTION PER 24 HOURS BEING REDUCED FROM 1 X 1

X 1 EQUAL 1, TO 0.9 X 0.9 X 0.9 EQUAL 0.73 OR BY 27 PERCENT.

BUT AT THE SAME TIME THE VOYAGE TIME IS PROLONGED. FOR THE VOYAGE THE REDUCTION WILL BE FROM 1 X 1 EQUAL 1 TO 0.9 X 0.9 EQUAL 0.81 OR 19 PERCENT.

IN THE FOLLOWING WE SHALL TAKE A LOOK AT THE BUNKER CONSUMPTION PER VOYAGE WITH CERTAIN CHANGES IN THE SPEED OF THE SHIP, IN KNOTS, AND AT THE SAME TIME HOW MUCH THE VOYAGE TIME IS PROLONGED.

BASIS: T/T ADP000
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NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SCI-06 DRC-01 /149 W
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R 181448Z JAN 74
FM AMEMBASSY OSLO
TO SECSTATE WASHDC 7670
INFO USOECD PARIS 1278

UNCLAS SECTION 2 OF 2 OSLO 0285

STATE ALSO FOR T/IEP

B. BUNKERS, SPEED AND CHARTER PARTY FORM

1. FOR SHIPS ON TIME CHARTER PARTY IT IS THE CHARTERER WHO SHALL PROVIDE AND PAY BUNKERS. OF THE NORWEGIAN FLEET ENGAGED IN FOREIGN TRADE, ABOUT ONE THIRD OPERATE ON TIME CHARTER PARTY. IN TONNAGE THEY REPRESENT APPROXIMATELY 60 PERCENT OF THE FLEET. FOR THESE SHIPS IT MUST BE ASSUMED THAT THE SHIPPING COMPANIES WILL SUFFER NO LOSS IF A RULE GOVERNING A GENERAL SPEED REDUCTION IS ADOPTED. BUT FOR SUCH SHIPS THE RULE MUST BE APPLIED TO THE CHARTERER. THE COMPANY IS OBLIGED TO PERMIT THE SHIP TO SAIL AT NORMAL SPEED (STIPULATED IN THE CHARTER PARTY) AS LONG AS THE CHARTERER DESIRES AND PROVIDES BUNKERS.

2. WE HAVE A SUBSTANTIAL FLEET ENGAGED ON CHARTER PARTIES FOR CONSECUTIVE VOYAGES: FURTHERMORE WE HAVE MANY SHIPS ENGAGED ON A CONTRACT BASIS. HERE THE SHIPPING COMPANIES ARE

OBLIGED TO CARRY THROUGH THE VOYAGES AND TO PROVIDE BUNKERS
THEMSELVES. IT IS FOR THIS GROUP OF TONNAGE THAT THE SHIPPING
COMPANIES ARE HARDEST HIT FINANCIALLY AS A RESULT OF THE BUNKER
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CRISIS AND THE PRICE RISE FOR BUNKERS.

FOR EXAMPLE LET US CONSIDER A M/S (BULI) OR M/T 45,000 DWT.
16 KNOTS AT 64 TONS AT SEA 250 DAYS PER ANNUM. THE BUNKERS CON-
SUMPTION IS 16,000 TONS PER ANNUM. A PRICE RISE FROM 100 TO 301
KR. PER TON WILL MEAN AN EXPENDITURE INCREASE OF 3.2 MILLION KR.
PER ANNUM.

THIS IS AN EXPENDITURES INCREASE OF AN ALARMING SIZE. IF
THE COMPANIES HAD THE OPPORTUNITY TO DO SO UNDER THEIR CONTRACTS,
THEY WOULD NEVERTHELESS ONLY IN FEW CASES BE IN A POSITION
TO IMPROVE MATTERS BY REDUCING THE SPEED OF THE SHIPS. FOR
MOTORSHIPS (LARGELY BULK) OF THE SIZE 18-50,000 DWT., THE
DOMINANT SIZE AMONG SHIPS OPERATING CONTRACT, THERE
WILL RARELY BE SOMETHING TO SAVE BY A SPEED REDUCTION, EVEN
WITH A BUNKER PRICE OF 300 KR. PER TON.

THE NEXT QUESTION IS WHETHER THE SHIPPING COMPANIES HAVE
THE RIGHT TO REDUCE
THE SPEED ON THEIR OWN. THE CHARTERERS FOR
C/V/P COULD MAKE OBJECTIONS NOT ONLY BECAUSE THE TIME OF VOYAGE
IS PROLONGED BUT BECAUSE THEY WOULD CARRY OUT LESS TRANSPORTATION
IN THE COURSE OF THE AGREED PERIOD.

UNDER CONTRACT TRADES THE SHIPPING COMPANIES MAY BE MET WITH
OBJECTIONS BOTH AS REGARDS SPEED REDUCTION AS SUCH AND BECAUSE
THEY WILL NOT BE ABLE TO EXECUTE THE SHIPMENT PROGRAMS. THE LATTER
MIGHT BE SOLVED BY THE COMPANIES "CHARTERING IN" TONNAGE TO
REALIZE THE PROGRAMS, BUT THIS TOO WILL MEAN ADDITIONAL LOSS TO
THE COMPANIES.

3. FOR THE LINER TRADE TOO IT IS THE RESPONSIBILITY OF THE
SHIPPING COMPANIES TO PROVIDE BUNKERS.

AT CERTAIN NOTICE, THE LINER CONFERENCES MAY RAISE THE
RATES IN CONSIDERATION OF EXPENSE INCREASES AND MUST LIKEWISE AVOID
LIABILITY IN CONNECTION WITH A SPEED REDUCTION. FOR THE LINER
TRADE IT SHOULD BE AN ADVANTAGE IF ORDERS FOR BUNKER SAVINGS COULD
BE ADDRESSED TO THE CONFERENCE, WHICH COULD THEN CARRY OUT THE
SAVING BY RATIONALIZATION OF PORTS OF CALL PROGRAMS AND
SPEED REDUCTION.

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4. FOR SHIPS CHARTERED FOR SINGLE VOYAGES THE SHIPPING COMPANIES COVER THE M X J EXPENDITURES. THE CHARTERERS

COULD PROBABLY RAISE OBJECTIONS AGAINST A SPEED REDUCTION CONSIDERING THAT THE CHARTER PARTIES PRESCRIBE THAT THE VOYAGES SHALL BE DONE "AT UTMOST SPEED." HOWEVER, THEY WILL RARELY RAISE SUCH OBJECTION IF THE COMPANY REDUCES THE SPEED A LITTLE.

IN ALL CASES, THE COMPANIES WILL HAVE RESERVATIONS ABOUT SPEED IN THEIR NEXT CHARTER PARTY FIXTURE.

THE OBTAINABLE FREIGHTS UNDER FUTURE CHARTER PARTIES WILL, AS ALWAYS, BE DETERMINED BY SUPPLY AND DEMAND. A GENERAL SPEED REDUCTION FOR THE WORLD FLEET WILL, PER SE, REDUCE THE SUPPLY AND TEND TO RAISE FREIGHT RATES. FOR THAT MATTER, IT IS POSSIBLE THAT THE SHIPPING COMPANIES THIS WAY MAY GET MORE AS WELL AS LESS THAN FULL COMPENSATION FOR INCREASES IN BUNKER PRICE AND INCREASED TIME CONSUMPTION. THE OIL CRISIS WILL FOR ITS PART BE AMONG THE FACTORS WHICH INFLUENCE THE EXTENT OF THE DEMAND. BYRNE

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